

Report  
of the  
Examination of  
Policyholder Mutual Insurance Company  
Madison, Wisconsin  
As of December 31, 2002

## TABLE OF CONTENTS

	Page
I. INTRODUCTION .....	1
II. HISTORY AND PLAN OF OPERATION .....	3
III. MANAGEMENT AND CONTROL .....	6
IV. AFFILIATED COMPANIES .....	8
V. REINSURANCE .....	9
VI. FINANCIAL DATA.....	10
VII. SUMMARY OF EXAMINATION RESULTS .....	19
VIII. CONCLUSION .....	23
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS .....	24
X. ACKNOWLEDGMENT .....	25



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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November 21, 2003

Honorable Jorge Gomez  
Commissioner of Insurance  
State of Wisconsin  
125 South Webster Street  
Madison, Wisconsin 53702

Commissioner:

In accordance with your instructions, a compliance examination has been made of  
the affairs and financial condition of:

POLICYHOLDERS MUTUAL INSURANCE COMPANY  
MADISON, WISCONSIN

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Policyholders Mutual Insurance Company ("PMIC" or "the company") was conducted in 1999 as of December 31, 1998. The current examination covered the intervening period ending December 31, 2002, and included a review of such 2003 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Employees' Welfare and Pension Plans
- Territory and Plan of Operations
- Affiliated Companies
- Growth of Company
- Reinsurance
- Financial Statements
- Accounts and Records
- Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comments on the remaining areas of the company's operations is contained in the examination work papers.

The company is exempt from an annual audit by an independent public accounting firm as prescribed by s. Ins 50.02, Wis. Adm. Code.

## **II. HISTORY AND PLAN OF OPERATION**

The company was organized in 1988, as Policyholders Mutual Insurance Company. PMIC is currently authorized only in the state of Wisconsin to transact the business of insurance as an assessable mutual under ch. 611, Wis. Stat.

Prior to 1989, the predecessor to PMIC was the Policyholders' Protection Fund, which was established for the purpose of assuring that policyholders of a covered town mutual would not be subject to financial hardship in the event of its insolvency. Member companies paid a fee to participate in the fund and, in turn, the fund purchased insurance coverage to cover the insolvency of a member town mutual.

During 1988, the Wisconsin Association of Town Mutual Insurance Companies (WATMIC) sponsored the formation of PMIC. [WATMIC changed its name to Wisconsin Association of Mutual Insurance Companies (WAMIC) on March 29, 1993.] PMIC's function is the same as the predecessor fund, i.e., to ensure that policyholders of the subscribing companies would not be subject to financial hardship in the event of the insolvency of a town mutual. The current board members of WAMIC also serve as directors for PMIC.

PMIC has a stop-loss agreement with Wisconsin Reinsurance Corporation and Grinnell Mutual Insurance Company. PMIC's limit of assessability of participating mutuals is 2% of the members' gross written premium for any calendar year.

Each Wisconsin assessable mutual is eligible to become a participating policyholder upon two qualifications:

1. Being a member of WAMIC.
2. Payment of a \$200 annual membership fee.

Currently, all but two town mutual insurers are members of WAMIC/PMIC.

A group insurance policy is issued to the WAMIC, for and on behalf of its members, which provides insolvency coverage for all association members.

As a condition to making a claim, a participating mutual must first satisfy each of the following:

1. Be insolvent or about to become insolvent, and an order to liquidate shall have been issued by a court of competent jurisdiction;

2. Notification to the company in writing as a: NOTIFICATION OF INTENT TO MAKE A CLAIM
3. Canceled all policies in accordance with s. 645.43(1)(a), Wis. Stat.

In the event that the above conditions are met, the payment will be made provided that:

1. The company shall have no duty or liability with respect to any claim filed with the liquidator under s. 645.61, Wis. Stat., after the date for filing specified by the liquidator under s. 645.47(2), Wis. Stat., unless liquidator considers the claim to have been timely filed.
2. The company shall have no duty or liability with respect to any claim which otherwise would have been covered under the policy, but for which the liquidator does not cause the applicant to cooperate under Article 7 of the policy.
3. Upon payment of any claim, the company is subrogated to the claimant's full right of recovery against the mutual and, to the same extent the mutual would have been subrogated, against any liquidator and any third-party. PMIC shall have no obligation with respect to any claim unless and until the liquidator notifies PMIC that, upon its payment of such claim, will be entitled to receive its pro rata distribution of assets under s. 645.68(3), Wis. Stat., with regard to such payment.

In the event the mutual has knowledge that it may be insolvent and may make a claim on this policy, the mutual or the liquidator shall, as soon as reasonably possible notify PMIC and WAMIC in writing, of its intent to make a claim hereunder.

At this point, PMIC would levy an assessment on participating mutuals. The assessment is limited to 2% of each mutual's annual gross written premium. If the insolvent mutual's deficit exceeded \$1,000,000, PMIC could make a claim on its reinsurers for the excess. Coverage provided by the reinsurers shall not exceed \$5,000,000 in the aggregate in any calendar year. The reinsurance agreement states that PMIC shall assess its members in succeeding years to repay the reinsurers. Assessments may be levied to pay claims or administrative expenses of PMIC.

PMIC amended its policy to the above conditions effective January 1, 2004. The changes from the policy which was in effect from January 1, 1989 until December 31, 2003, are contained in two sections of the policy and described below.

#### **Article 5 – Condition of Payment**

##### **1989-Current**

- The applicant shall be insolvent or about to become insolvent and an order to liquidate the business of the Applicant shall have been effectuated.

**1989-2003**

**1/1/2004-current**

Applicant shall exhaust all:

The following conditions must be satisfied:

- Premiums charged and assessments levied;
- Reinsurance recovered or recoverable;
- Policyholder surplus;
- All other assets.
- The liquidator has canceled all policies.

#### **Article 6 – Notice of Intent to Make a Claim**

**1989-Current**

- In the event that an applicant has reason to believe that it is insolvent, shall as soon as reasonably possible, notify the Insured [i.e., WAMIC] and the company in writing, in a form acceptable to the company, of its intent to make a claim hereunder.

**1989-2003-Deleted**

- The applicant is about to become insolvent and/or that its obligations to pay under policies of insurance exceed the amounts available from all other sources, as more fully described in Article 5.

The following is a summary of the net insurance premiums written by the company in 2002. The growth of the company is discussed in the Financial Data section of this report.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Membership Fees	\$14,200		\$5,000	\$9,200

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of nine members. Three directors are elected annually to serve a three-year term. Officers are elected at the board's annual meeting. The current board members of WAMIC also serve as directors for PMIC. The board members currently receive \$100.00 per meeting (including meals and lodging) and \$.36 per mile for travel expenses. These fees are paid by WAMIC.

Currently the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Alan Albers Plain, WI	Manager of Merrimac Mutual	2003
Henry Ruff Bloomer, WI	Board Member of Eagle Point Mutual	2004
Randy Peterka Caledonia, WI	Board Member of Racine County Mutual	2003
Jane Jensen Arlington, WI	Manager of Arlington Mutual	2003
Dorris Hopp Waupun, WI	Manager of Flyway Mutual	2005
Pat Brennard Oshkosh, WI	Board Member of Homestead Mutual	2005
Vic Gray Marshfield, WI	Manager of McMillan-Warner Mutual	2005
Al Schuettepelz Lena, WI	Manager of Maple Valley Mutual	2004
Jim Lenbom Cameron, WI	Board Member of Barron Mutual	2004



### **Officers of the Company**

The officers serving at the time of this examination are as follows:

<b>Name</b>	<b>Office</b>
Alan Albers	Chairman
Henry Ruff	Vice-Chairman
Randy Peterka	Secretary-Treasurer

Officers are not compensated by the company.

### **Committees of the Board**

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

#### **Executive Committee**

Gerald Mueller, Chair  
Steve Nelson  
Al Schuettepelz  
Alan Albers

#### **IV. AFFILIATED COMPANIES**

PMIC is affiliated with WAMIC through common management and facilities.

##### **Wisconsin Association of Mutual Insurance Companies (WAMIC)**

WAMIC is an association of mutual insurance companies. WAMIC's principal objectives are to improve loss prevention programs, to promote adequate loss protection service, to sponsor legislation for the benefit of mutual insurance companies, and to promote the general welfare of mutual insurance companies. WAMIC offers classes for loss prevention, claim adjusting, forms education, and continuing education for agents.

Currently, WAMIC is a member of the American Association of Insurance Services (AAIS), and pays fees to AAIS for membership and program services. Mutuals that are members of WAMIC are allowed to use AAIS copyrighted forms and are provided access to other AAIS services. WAMIC is licensed by the state of Wisconsin to act as a rate service organization.

WAMIC employs staff, rents facilities from Wisconsin Reinsurance Corporation, and maintains the office, which is shared with PMIC. As of December 31, 2002, the compiled financial statement reported assets of \$134,117, liabilities of \$26,700, and capital and surplus of \$107,417.00. Operations for 2002 produced net income of \$1,512.00.

## V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contract contained proper insolvency provisions.

### Nonaffiliated Ceding Contracts

1. Type: Stop-loss Reinsurance
- Reinsurers: Wisconsin Reinsurance Corporation and Grinnell Mutual Reinsurance Company
- Scope: All liability business written by the company to cover WAMIC's members
- Retention: \$1,000,000
- Coverage: 100% of aggregate losses in excess of \$1,000,000, up to \$5,000,000, each annual period
- Premium: \$5,000 annually, disbursed to the reinsurers in accordance with the percentage assumed by each reinsurer  
  
(Currently, Wisconsin Reinsurance Corporation assumes 2/3 of the premium and Grinnell 1/3.)
- Effective date: January 1, 1989, continuous
- Termination: As of any January 1, by either party giving 90 days' prior written notice

In the event that a loss is paid under this contract, the company shall repay the loss to the reinsurers plus interest at the prime rate plus 1.0%. Such repayment shall be made by payments in successive years immediately following the year in which the loss payment is made, in amounts up to but not exceeding 2.0% of gross written premium of the mutual insurance company members of PMIC for the preceding calendar year. In the event of a loss, the company agrees that it will assess its members each year for the full 2.0% of said gross written premium until the entire amount of the loss repayment as described above has been repaid to the reinsurers.

The contract is designed to provide early access to funds for claimants of a covered mutual. Under this arrangement, PMIC would eventually return all the reinsurance claim payments to the reinsurers through assessments levied on its member companies.

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2002, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

**PMIC  
Assets  
As of December 31, 2002**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$114,250	\$0	\$114,250
Stocks:			
Preferred stocks	13,830		13,830
Common stocks	11,417		11,417
Cash	35,619		35,619
Interest, dividends, and real estate income due and accrued	<u>1,650</u>		<u>1,650</u>
Total Assets	<u>\$176,766</u>	<u>\$0</u>	<u>\$176,766</u>

**PMIC**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2002**

Gross paid in and contributed surplus	\$171,411	
Unassigned funds (surplus)	<u>5,355</u>	
Surplus as Regards Policyholders		<u>\$176,766</u>
Total Liabilities and Surplus		<u>\$176,766</u>

**PMIC**  
**Summary of Operations**  
**For the Year 2002**

**Underwriting Income**

Premiums earned		\$ 9,200
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Deductions:

Other underwriting expenses incurred	<u>\$16,517</u>	
Total underwriting deductions		<u>16,517</u>
Net underwriting gain (loss) not including protected cells		(7,317)
Net income of protected cells		<u>0</u>
Net underwriting gain or (loss)		(7,317)

**Investment Income**

Net investment income earned	3,301	
Net realized capital gains or (losses)	<u>(31,922)</u>	
Net investment gain or (loss)		(28,621)

**Other Income**

Write-ins for miscellaneous income:		
Other Income	<u>1,675</u>	
Total other income		<u>1,675</u>

Net income (loss) before dividends to policyholders and before federal and foreign income taxes		(34,263)
Dividends to policyholders		<u>0</u>

Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(34,263)
Federal and foreign income taxes incurred		<u>0</u>

Net Loss		<u>(\$34,263)</u>
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**PMIC  
Cash Flow  
For the Year 2002**

Premiums collected net of reinsurance			\$ 9,200
Deduct:			
Underwriting expenses paid			<u>16,517</u>
Cash from underwriting			(7,317)
Net investment income			2,348
Other income (expenses):			
Write-ins for miscellaneous items:			
Other income		\$ 1,675	
Total other income			<u>1,675</u>
Net cash from operations			(3,294)
Proceeds from investments sold, matured, or repaid:			
Bonds	\$ 9,945		
Stocks	<u>108,740</u>		
Total investment proceeds		118,685	
Cost of investments acquired (long-term only):			
Bonds	<u>113,770</u>		
Total investments acquired		<u>113,770</u>	
Net cash from investments			4,915
Cash applied for financing and miscellaneous uses:			
Other applications	<u>(7)</u>		
Total		<u>(7)</u>	
Net cash from financing and miscellaneous sources			<u>7</u>
<b>Reconciliation</b>			
Net change in cash and short-term investments			1,628
Cash and short-term investments, December 31, 2001			<u>33,991</u>
Cash and short-term investments, December 31, 2002			<u>\$35,619</u>



**PMIC**  
**Compulsory and Security Surplus Calculation**  
**December 31, 2002**

Assets		<u>\$176,766</u>
Adjusted surplus		176,766
Annual premium:		
Lines other than accident and health	\$9,200	
Factor	<u>20%</u>	
Compulsory surplus		<u>1,840</u>
Compulsory surplus excess (or deficit)		<u>\$174,926</u>
Adjusted surplus (from above)		\$176,766
Security surplus: (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>2,576</u>
Security surplus excess (or deficit)		<u>\$174,190</u>

**PMIC**  
**Reconciliation and Analysis of Surplus**  
**For the Five-Year Period Ending December 31, 2002**

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Surplus, beginning of year	\$194,143	\$201,037	\$199,953	\$187,004	\$213,600
Net income	(34,263)	7,406	12,580	11,284	13,640
Net unrealized capital gains or (losses)	16,886	(14,300)	(11,496)	1,665	4,764
Surplus adjustments:					
Transferred from capital					(45,000)
Surplus, end of year	<u>\$176,766</u>	<u>\$194,143</u>	<u>\$201,037</u>	<u>\$199,953</u>	<u>\$187,004</u>

**PMIC**  
**Insurance Regulatory Information System**  
**For the Four-Year Period Ending December 31, 2002**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. The IRIS results prior to 1999 are not available.

	<b>Ratio</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
#1	Gross Premium to Surplus	8.0%	7.0%	7.0%	8.0%
#2	Net Premium to Surplus	5.0	5.0	5.0	6.0
#3	Change in Net Writings	(2.0)	(2.0)	(13.0)	(16.0)
#4	Surplus Aid to Surplus	0.0	0.0	0.0	0.0
#5	Two-Year Overall Operating Ratio	73.0	0.0	0.0	0.0
#6	Investment Yield	1.8*	3.6*	6.1	5.1
#7	Change in Surplus	(9.0)	(3.0)	1.0	7.0
#8	Liabilities to Liquid Assets	0.0	0.0	0.0	0.0
#9	Agents' Balances to Surplus	0.0	0.0	0.0	0.0
#10	One-Year Reserve Devel. to Surplus	0.0	0.0	0.0	0.0
#11	Two-Year Reserve Devel. to Surplus	0.0	0.0	0.0	0.0
#12	Estimated Current Reserve Def. To Surplus	0.0	0.0	0.0	0.0

Ratio No. 6 exception could be explained by the company's strategy to purchase investments intended to produce capital gains in the long run but little income in the interim.

### Growth of PMIC

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
2002	\$176,766	\$0	\$176,766	(\$34,263)
2001	194,143	0	194,143	7,406
2000	201,037	0	201,037	12,580
1999	199,953	0	199,953	11,284
1998	187,004	0	187,004	13,640
1997	213,600	0	213,600	15,116

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
2002	\$14,200	\$9,200	\$9,200	0.0%	161.3%	161.3%
2001	14,400	9,400	9,400	0.0	95.2	95.2
2000	14,600	9,600	9,600	0.0	93.2	93.2
1999	16,000	11,000	11,000	0.0	85.6	85.6
1998	16,400	13,075	13,075	0.0	81.0	81.0
1997	17,000	7,000	7,000	0.0	145.0	145.0

The company has shown a slight decline over the past six years. Gross premiums written have declined 16.5% and admitted assets have declined 17.3%. The main reasons for this decline are the decline in the membership base is due to town mutual mergers.

The amounts shown above are as reported by the company in its annual statements. According to the reinsurance contract, the company is to pay \$5,000 annually in reinsurance premium to its reinsurers. In 1997, the company paid two years of premium; one payment was for a prior year and one payment was for the current year. In 1998, the company only accounted for \$3,325 in reinsurance premium ceded; however, \$5,000 in premium was actually paid. This error was corrected in future years.

The most important point is that the company has never incurred a loss, because none of its participating companies have been liquidated since the company began.

**Reconciliation of Surplus per Examination**

There were no adjustments or reclassifications as a result of fieldwork performed.

The amount of surplus reported by the company as of December 31, 2002, is accepted.

## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were 10 specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Management and Control – It is recommended that the company file, in accordance with s. 611.29 (4), Wis. Stat., Amendment of Articles and s. 611.12 (4), Wis. Stat., Bylaws, amendments to the articles of incorporation or bylaws with the Office of the Commissioner of Insurance (OCI).

Action—Noncompliance, see comments in the summary of current examination results.

2. Conflict of Interest – It is recommended that the company, in accordance with a directive of the Commissioner of Insurance, require for key employees as well as the directors and officers of the company completion of a conflict of interest questionnaire.

Action—Noncompliance, see comments in the summary of current examination results.

3. Corporate Records – It is recommended that the company, in the minutes to the meetings of the board of directors, indicate the election of officers.

Action—Compliance

4. Corporate Records – It is recommended that the company, in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code, file with OCI, biographical data relating to company officers and directors.

Action—Noncompliance, see comments in the summary of current examination results..

5. Invested Assets – It is again recommended that the company file a Securities Acquisition Report with the Securities Valuation Office for (1) all bonds not currently registered with the Securities Valuation Office within 90 days of the adoption of this report; and (2) all future bond and stock acquisitions within 120 days of purchase for any security which is not registered with the Securities Valuation Office at the time of purchase as required by the Purposes and Procedures of the Securities Valuation Office of the National Association of Insurance Commissioners.

Action—Compliance

6. Invested Assets – It is again recommended that the company maintain a file with the supporting documentation necessary to prove that all of its stocks and bonds are registered with the Securities Valuation Office.

Action—Compliance

7. Schedule D – It is recommended that the company properly complete Schedule D – Part 1A – Section 1 of the annual statement in accordance with the NAIC's Annual Statement Instructions—Property and Casualty.

Action—Compliance

8. Investment Income Due and Accrued – It is recommended that the company more frequently review and revise the estimate for interest income due and accrued.

Action—Compliance

9. Membership Fees – It is again recommended that PMIC amend its billing practices to be in compliance with s. 8.2, Wis. Stat., of its insurance contract with WAMIC.

Action—Noncompliance, see comments in the summary of current examination results..

10. Reinsurance – It is recommended that the company properly complete Schedule F – Part 3 on all future annual statements by including all companies to which reinsurance premiums are ceded.

Action—Compliance

## **Summary of Current Examination Results**

### **Management and Control**

During 2002, PMIC amended its articles of incorporation and its bylaws to reflect changes in the titles of the principal officers. The title change was from the President and Vice-President to Chairman and Vice-Chairman. The amendment was not filed with OCI as required under Wisconsin Statutes. This was also recommended in the prior examination. It is again recommended that the company file, pursuant to s. 611.29 (4), Wis. Stat., (Amendment of Articles) and s. 611.12 (4), Wis. Stat., (Bylaws), amendments to the articles of incorporation or bylaws with the Office of the Commissioner of Insurance (OCI).

The company's executive committee has four members, three of whom are directors of the company and the fourth is Mr. Gerald Mueller, who is the Executive Secretary of WAMIC. Mr. Mueller is a voting member of this committee. Voting members of major committees of the board are required to be directors of the company pursuant to s. 611.56(1), Wis. Stat. It is recommended that the company's major committee members be directors pursuant to s. 611.56(1), Wis. Stat.

### **Conflict of Interest**

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. The company has adopted such a procedure for disclosing potential conflicts of interest for the directors and officers; however, the questionnaire has not been completed for the past three years. This was a recommendation from the prior examination report. It is therefore again recommended that the company, in accordance with a directive of the Commissioner of Insurance, require for key employees, as well as the directors and officers of the company, the annual completion of a conflict of interest questionnaire.

## **Corporate Records**

Biographical data relating to company officers and directors has not been reported in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code. Biographical data for three directors of the company were not on file with OCI. It is recommended that the company file biographical data relating to company officers and directors with this office, pursuant to s. Ins 6.52, Wis. Adm. Code.

Section Ins 6.80(4)(b), Wis. Adm. Code, states that the company shall retain corporate records of insurance company operations and other financial records reasonably related to insurance operations. The company was unable to provide statutory annual statements for any of the years under the exam. It is recommended that the company retain statutory annual statements, pursuant to s. Ins 6.80(4), Wis. Adm. Code.

## **Membership Fees**

According to s. 8.2, of the insurance contract between the company and WAMIC, on behalf of its member companies, each applicant is obligated to pay an annual premium of \$200, or such other amount as PMIC's board of directors determines, not later than ten days after the effective date of coverage. The effective date of coverage is January 1. During 2002 and 2003, the annual premium amounts were not received by PMIC until late February and March. In discussion with company personnel, the date of the billing of member companies was not known; however, the billing statement requires the member companies to remit payment within 30 days of receipt. It appears that the member companies were not billed until after the due date for the premium. The prior examination recommended that the company amend its billing practices to be in compliance with s. 8.2, of the insurance contract. It does not appear that PMIC has complied with the recommendation since premium amounts are not received within ten days after the effective date of coverage. It is again recommended that PMIC amend its billing practices to be in compliance with s. 8.2, of its insurance contract with WAMIC.



## **VIII. CONCLUSION**

This examination resulted in five recommendations of which four were repeated from the previous examination. The recommendations relate mainly to proper filings to be made to the Insurance Commissioner.

At December 31, 2002, the company reported \$176,766 in assets and surplus, which is an overall decrease of 5.5% from the previous examination. These results reflect the town mutual mergers since the previous examination and the resultant decrease in overall membership in the company along with the decreasing returns in the company's investment portfolio. PMIC has amended its Articles of Incorporation and Bylaws to include assessable mutual companies in order to maintain its membership base.

## IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 21 - Management and Control – It is again recommended that the company file, pursuant to s. 611.29 (4), Wis. Stat., (Amendment of Articles) and s. 611.12 (4), Wis. Stat., (Bylaws), amendments to the articles of incorporation or bylaws with the Office of the Commissioner of Insurance (OCI).
2. Page 21 - Management and Control – It is recommended that the company's major committee members be directors, pursuant to s. 611.56(1), Wis. Stat.
3. Page 21 - Conflict of Interest – It is therefore again recommended that the company, in accordance with a directive of the Commissioner of Insurance, require for key employees as well as the directors and officers of the company the annual completion of a conflict of interest questionnaire.
4. Page 22 - Corporate Records – It is recommended that the company file biographical data relating to company officers and directors with this office, pursuant to s. Ins 6.52, Wis. Adm. Code.
5. Page 22 - Corporate Records – It is recommended that the company retain statutory annual statements, pursuant to s. Ins 6.80(4), Wis Adm. Code.
6. Page 22 - Membership Fees – It is again recommended that PMIC amend its billing practices to be in compliance with s. 8.2, of its insurance contract with WAMIC.

## **X. ACKNOWLEDGMENT**

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

Respectfully submitted,

Sarah M. Haefl  
Examiner-in-Charge